

Guideline on Sustainable Sourcing, Chocolats Halba/Sunray

1. Objective

Chocolats Halba/Sunray attaches great importance to the issue of sustainability. The company therefore also expects its business partners to actively contribute to improving the sustainability of their products and thus to promoting sustainable consumption.

Chocolats Halba/Sunray pursues the following objectives:

- i. Expand the product range with products that meet the most stringent sustainability standards;
- ii. Create transparency/traceability beyond the production and supply chain;
- iii. Implement stricter animal welfare standards in animal husbandry and promote innovative solutions to improve animal husbandry;
- iv. Promote and implement minimum requirements for raw materials based on international standards, especially for critical ingredients, products and processes;
- v. Reduce the impact on the environment of farming, production, transportation and packaging;
- vi. Delist products that do not fulfil the Chocolats Halba/Sunray sustainability requirements.

Chocolats Halba/Sunray assesses its business partners according to social, ethical and ecological as well as business and quality criteria. Chocolats Halba/Sunray prefers to cooperate with partners which undertake to comply with this guideline and undergo continual improvement.

2. Scope

The guideline applies to all business partners that produce or process goods, or provide services, for Chocolats Halba/Sunray. The guideline essentially also applies to the Chocolats Halba/Sunray internal purchasing system.

We require all suppliers to provide traceability and transparency at least back to the last value-adding processing level. For critical ingredients the business partner must guarantee traceability and transparency back to the primary production level for the critical ingredients and process steps and be able to supply evidence of this on request.

3. General principles

Together with its business partners, Chocolats Halba/Sunray aims to avoid exploitation of labour and encourage a respectful approach to the environment and animal welfare.

In line with the Coop objectives we want to implement minimum standards for all critical ingredients and processes by 2021. If these minimum standards do not exist or are not suitable, Chocolats Halba/Sunray will not sell certain products. We work with recognized committees and standards bodies in defining the requirements.

4. Environmental and social legislation

Chocolats Halba/Sunray requires its business partners and their subcontractors to respect the local environmental and social legislation in the countries where their production plants and operations are located (legal compliance). Utilizing a risk-based approach, Chocolats Halba/Sunray requires its business partners to provide proof that they check compliance by their subcontractors.

5. Requirements for socially acceptable working conditions

The business partner will take appropriate measures to ensure that the country-specific regulations and the relevant conventions and principles of the United Nations (UN), OECD and the International Labour Organization (ILO) are observed. In addition, the partner guarantees that free, prior and informed consent (FPIC¹) is obtained before any activity that may affect the rights, land, resources, livelihoods and food security of indigenous peoples and local communities.

This applies to both the business partner's own company and to all third-party facilities and outsourced production steps in which goods are produced for Chocolats Halba/Sunray, including upstream phases.

In particular, the applicable regulations and industry standards in the areas of working hours, freedom of assembly, collective bargaining rights, bans on discrimination, child labour and forced labour as well as disciplinary measures, legal minimum wages and health and safety at work must be observed.

The business partner must be able to provide convincing evidence of compliance.

Where production takes place in risk countries, business partners must implement the amfori Business Social Compliance Initiative (BSCI) Code of Conduct or equivalent standards. Proof of compliance with the social requirements by means of a amfori BSCI audit must be provided.

- Risk countries are countries defined as such by amfori BSCI.

¹ FPIC (Free, Prior and Informed Consent): Specific law relating to indigenous peoples, enshrined in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). It allows them to give or withhold their consent to a project that may affect them or their territories.

- If other standards are applied, the business partner must demonstrate their equivalence via a benchmarking approach. On this basis, Chocolats Halba/Sunray will decide whether the alternative standard is accepted.

6. Environmentally friendly production

The business partner will take appropriate measures to ensure that finite and natural resources are used as prudently as possible in its companies and facilities and in upstream processes.

Areas to focus on in particular are energy and the climate, waste management, water and soil use, and promotion of biodiversity.

Business partners will use raw materials from sustainable production. We do not tolerate the clearance of valuable forests within our value chains. Preference is given to raw materials which contribute to preserving or promoting biodiversity.

In particular, the Business Partner undertakes to comply with the basic principles of the Accountability Framework Initiative (AFi²) regarding No Deforestation and No Conversion. The cut-off date³ is 31 December 2015, unless otherwise stated in the Chocolats Halba/Sunray specific requirements for critical raw materials.

6.1. Packaging

Wherever possible, the business partner's packaging should make a contribution to protecting resources and to reducing the impact on the environment. In line with the statutory requirements regarding foodstuff conformity, packaging should use as little material as possible, taking consumer needs and logistics requirements into account, and generate as little waste as possible.

6.2. Transport

Chocolats Halba/Sunray aims to minimize the environmental impact of transportation. Wherever possible and financially viable, long distances must be covered by boat, by rail or using combined transport.

In line with a sustainable energy and climate policy, transportation by air should be avoided wherever permitted by the dictates of freshness and quality.

6.3. Specific requirements for raw materials and products

For plant-based raw materials and products, the following requirements apply:

- Regarding the use of pesticides, the Pesticides Guideline and its negative list apply (see annexe: Coop Guideline on Sustainable Sourcing).

² <https://accountability-framework.org>

³ Date after which a given area or production unit may no longer be deforested or converted.

- Imported fruit, vegetables, fresh herbs, flowers and plants must originate from production environments that are certified in accordance with a standard recognized by GlobalGAP. Regarding fruit and vegetables, fresh herbs, as well as flowers and plants produced in Switzerland, farms must comply with SwissGAP specifications, the requirements for ecological certification (ÖLN) and Suisse Garantie.
- Regarding the production of fruit, vegetables, fresh herbs, flowers and plants in risk countries defined by amfori BSCI and in risk regions defined by Chocolats Halba/Sunray (see quality and sustainability requirements for fruit & vegetables and flowers & plants), audits in accordance with a social standard such as amfori BSCI Primary Production or GRASP (GlobalGAP Risk Assessment on Social Practice) must be conducted if these do not meet the requirements of Fairtrade Max Havelaar or SA 8000.
- The use of fossil water is prohibited in the production of fruit, vegetables and plants.
- In the production of fruit, vegetables and plants, the clearance of valuable forests is prohibited. Regarding raw materials from risk areas, business partners must be able to demonstrate how they can prevent deforestation within their value chains.
- In the production of fruit and vegetables in countries and regions with high water stress (according to the Baseline Water Stress Indicator of the Aqueduct Water Risk Atlas), audits are to be conducted in accordance with a water standard such as SPRING (Sustainable Program for Irrigation and Groundwater Use [formerly the Coop Water and Soil Standard]) or AWS (Alliance for Water Stewardship) if the requirements of Bio Suisse are not satisfied.
- Palm oil, palm kernel oil and palm (kernel) oil derivatives must comply with the requirements of the Guideline on palm oil, palm kernel oil and palm (kernel) oil derivatives (see annex: Guideline on palm oil, palm kernel oil and palm (kernel) oil derivatives).
- Hazelnuts from developing countries and emerging markets must be certified by UTZ or Bio Suisse.

6.4. Raw materials of animal origin

In the production of animal products, foreign business partners are encouraged to comply with the minimum Swiss requirements with regard to animal husbandry and feed. The use of animal products which stem from inhumane or cruel animal husbandry practices is prohibited.

In particular, the following restrictions apply to the sourcing of raw materials of animal origin:

- Swiss producers of animal products in the meat, dairy and egg segments should, wherever possible, switch to the Federal programme for particularly animal-friendly stabling (PAS). For selected species, the aim is to switch to PAS and ROEL (with access to range).

6.5. Further procedures/products that are prohibited or require approval

- Raw materials for food that originate from compulsorily declarable genetically modified organisms (GMOs) are not permitted.

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- Pesticide products for sale that contain ingredients suspected of constituting an acute hazard to bees (applies in particular to imidacloprid, thiametoxam, clothianidin, fipronil, chlorpyrifos, cypermethrin, deltamethrin) and/or which are classified as 1a or 1b by the WHO are prohibited.
- Products (chemical mixtures and products) that contain more than 0.1% substances of very high concern and are included on the European Chemical Agency's candidate list (SVHC list) are prohibited. Justified exceptions to this ban require special approval.

In addition, a timeframe and action plan must be submitted that indicates by when the relevant substance of very high concern in the product will be reduced to below 0.1% or replaced entirely.

- The use of triclosan is prohibited.
- It is prohibited to supply raw materials that have been produced and/or processed in occupied Palestinian territories (in accordance with UN Resolution 242 of 1967). Brand-name products from occupied Palestinian territories (in accordance with UN Resolution 242 of 1967) must be correctly declared. The business partners involved must sign a corresponding declaration.
- Raw materials that have been produced and/or processed in Western Sahara are prohibited.

6.6. Avoidance and minimization of environmental pollution

Given comparable products and services, business partners who can demonstrate that they have reduced the environmental impact of their products by means of improvements in production, transport and waste management beyond the statutory minimum will be given preference. Particular importance is attached to careful use of water. For ecologically important purchasing decisions, Chocolats Halba/Sunray requires a standardized eco-audit on production, transport and packaging. Business partners are encouraged to operate a management system that enables them to identify and assess the relevant environmental impacts and to make continuous improvements. Providers with a certified environmental management system are given preference if their services are comparable to other providers.

7. Science Based Targets

Chocolats Halba/Sunray's climate protection is based on the Science Based Target Initiative. In this context, the business partner is open to formulate future targets for the reduction of CO₂ emissions in its own value chain.

8. Implementation

Chocolats Halba/Sunray works together with Coop and in accordance with international initiatives (e.g. RSPO, WCF) in implementing this sourcing guideline. This concerns GlobalGap in particular at the agricultural primary production level.

In implementing the socio-ethical requirements in purchasing, Chocolats Halba/Sunray works together with amfori BSCI and SAI (Social Accountability International). The basis

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is the quality agreement, which is binding on all business partners, and which obliges the business partners to comply with this guideline.

In addition, Chocolats Halba/Sunray may ask business partners to comply with the following:

- Disclose the necessary information for an initial assessment correctly and completely as part of a self-assessment;
- Inform subcontractors and suppliers about the content of this guideline and ensure that they will also comply with the minimum requirements;
- Ensure unrestricted access for announced and unannounced inspections by Chocolats Halba/Sunray or authorized third parties;
- When necessary, undergo audits at their own expense conducted by independent accredited inspection bodies to ensure compliance with these guidelines and the BSCI or GlobalGap regulations;
- Report audits and their outcome and any certification acquired to Chocolats Halba/Sunray and disclose the full audit report upon request;
- Work constructively and in a solution-oriented manner to rectify any shortcomings.

If violations of this guideline are identified as part of the self-assessment or an audit by internal or external inspection bodies, corrective measures will be agreed between Chocolats Halba/Sunray and the business partner. The business partner will bear the costs of implementation.

If no corrective action is taken within the agreed timescales, Chocolats Halba/Sunray is entitled to reject the products, cancel current orders, suspend future orders, terminate the business relationship or enforce contractual penalties.

Chocolats Halba/Sunray endeavours to ensure that all suppliers can demonstrate compliance with the requirements of this guideline. In addition, Chocolats Halba/Sunray welcomes and supports all efforts of suppliers to meet any further requirements. Companies with a certified socially responsible and environmental management system are given preference if their services are comparable to other providers.

9. Controlling

The gradual and risk-oriented implementation of this guideline is coordinated and monitored by Chocolats Halba/Sunray Purchasing, with the support of the QM and Sustainability department.